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FARMERS' NEWSLETTER

November 78/L-6



Livestock

Here are some major pieces of information to help you in making your beef marketing and production decisions:

- July-September placements of cattle on feed were record large.
- The October 1 number of cattle on feed was 16 percent greater than a year ago.
- Non-fed cattle slaughter was down 30 percent in July-September.
- Feeder cattle supplies are tightening.
- Red meat supplies are trailing levels of a year earlier.
- Demand for meat remains strong.
- Farmers are harvesting record large corn and soybean crops.

How this information will affect you will depend on the type of beef operation you have. Let's look closer at the above to see how your decisions might be affected.

More Cattle on Feed

More significant than the total October 1 increase for cattle on feed was the number on feed in various weight groups. The number of heavy steers and heifers on feed increased substantially; steers weighing 900 pounds and over, plus heifers weighing 700 pounds and over, rose 22 percent above a year earlier. These cattle will move to

slaughter during October-December. Many have already gone to market, but there are still a lot to go.

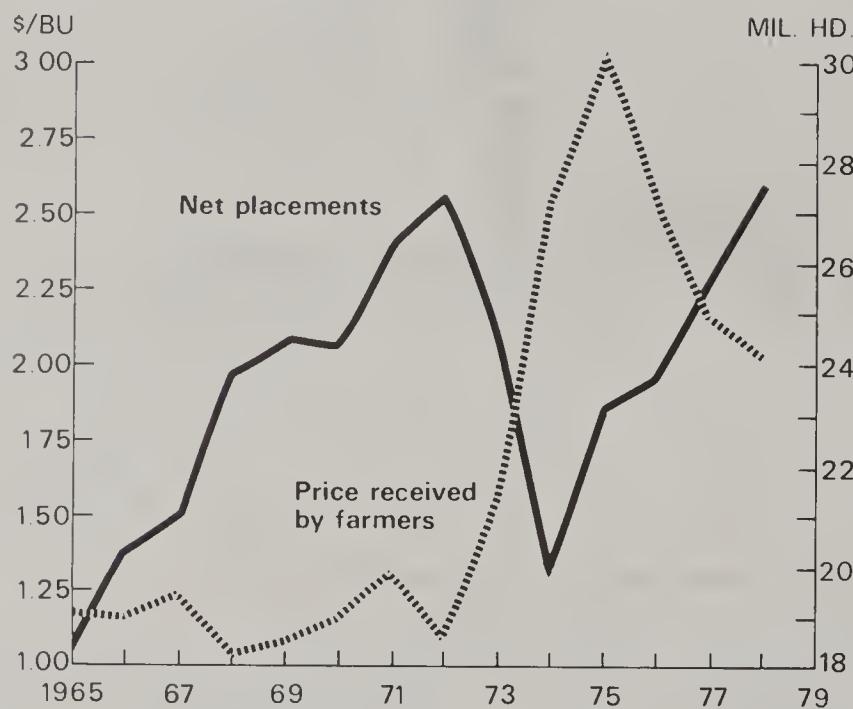
So, if you send fed cattle to slaughter before Christmas, you might be seeing prices below those of mid-October. Choice slaughter steers may fall to the low \$50s per 100 pounds during November. But after these heavy cattle move to market, prices will most likely strengthen back to around the mid-\$50 levels. But for your lighter cattle in feedlots and for

CATTLE ON FEED OCTOBER 1

Item	1975	1976	1977	1978	1978 as % of 1977
1,000 head					
Steers and steer calves	6,318	5,914	6,319	7,485	118
Less than 500 lbs.	314	181	343	577	168
500-699 lbs.	1,470	1,005	1,123	1,236	110
700-899 lbs.	2,434	2,129	2,404	2,592	108
900-1099 lbs.	1,813	2,108	2,060	2,529	123
1100 lbs. and over	287	491	389	551	142
Heifers and heifer calves	2,937	3,327	3,438	3,824	111
Less than 500 lbs.	236	315	350	375	107
500-699 lbs.	1,062	1,046	1,124	1,124	100
700-899 lbs.	1,229	1,367	1,492	1,572	105
900 lbs. and over	410	599	472	753	160
Cows	51	41	36	36	100
Total on feed	9,306	9,282	9,793	11,345	116

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PLACEMENTS OF CATTLE ON FEED AND CORN PRICE



those you might be thinking of placing, the price picture looks brighter.

Fed cattle prices during the first few months of 1979 are expected to be on an upward trend. Choice slaughter steer prices could average in the \$55 to \$57 per hundredweight (cwt.) range during the first quarter of 1979, and in the upper \$50s in the spring, with some apt to bring \$60.

Those rising prices are in prospect even though the increases in the number of steers weighing under 900 pounds and the heifers weighing under 700 pounds on feed October 1 suggest there might be more fed cattle going to market in early 1979 than a year earlier. This will be particularly true if a large number of cattle continue to be moved into feedlots in late 1978 and early 1979.

Beef Production Continues to Drop

The decline in the slaughter of steers and heifers directly off grass (nonfeds) and cows is expected to be so great that it will more than offset the increase in fed beef production. This will reduce the total amount of beef produced. But remember that

many things can affect both actual production and prices.

On the demand side, price-making factors to watch will be growth in consumer buying power and the rate of increase in production of pork and poultry. Marketing weights and timing of sales also can have an impact on prices.

Decisions by calf producers whether to put heifers on feed or hold them back to go into the breeding herd will affect cattle prices and beef supplies. Also, how heavily cows are culled for slaughter will affect total beef output.

Weather plays a role in both. Cold, wet weather could slow the rate of gain and delay the time when some cattle are ready for market. If this causes a bunching of marketings it could depress prices for a time.

COMMERCIAL BEEF PRODUCTION AND PRICES

Item	1976	1977	1978	1979	Changes from 1978 to 1979		
					Million lbs.	Bil. lbs.	Percent
Beef Production							
Jan.-Mar.	6,492	6,287	6,104	5.8-5.9*	-3 to -5		
Apr.-June	6,145	6,158	5,936	5.6-5.8*	-2 to -6		
July-Sept.	6,618	6,321	5,921				
Oct.-Dec.	6,412	6,220	5,975*				
Year	25,667	24,986	23,936*				
Choice 900-1,100 pound steers (Omaha)							
Jan.-Mar.	38.71	37.88	45.77	55-57*	20 to 25		
Apr.-June	41.42	40.77	55.06	58-60*	5 to 9		
July-Sept.	37.30	40.47	53.75				
Oct.-Dec.	39.00	42.42	52-54*				
Year	39.11	40.38	51-52*				
Choice 600-700 pound feeder steers (Kansas City)							
Jan.-Mar.	39.19	37.77	47.89	65-67*	36 to 40		
Apr.-June	43.89	41.10	58-28	66-68*	13 to 17		
July-Sept.	38.10	41.16	62.71				
Oct.-Dec.	36.40	40.70	64-66*				
Year	39.40	40.18	58-59*				

* Forecast

Longer Term Prices Look Good

For your longer term plans, the price that you will receive for your finished cattle also looks good. As a result of a much smaller cattle herd, total beef supplies should continue to decline for quite a while, probably at least until 1981. Consumer demand for meat is expected to remain strong.

The important variables to watch are the supplies of competing meats. Pork production is expanding slowly and in the near term doesn't appear to offer a lot of competition for beef. The poultry situation is different; producers are expanding very fast and there will be a lot more broilers and turkeys available. On balance, total meat supply may be generally stable over the next several years. But with beef representing a smaller percent of the total, beef prices should remain strong.

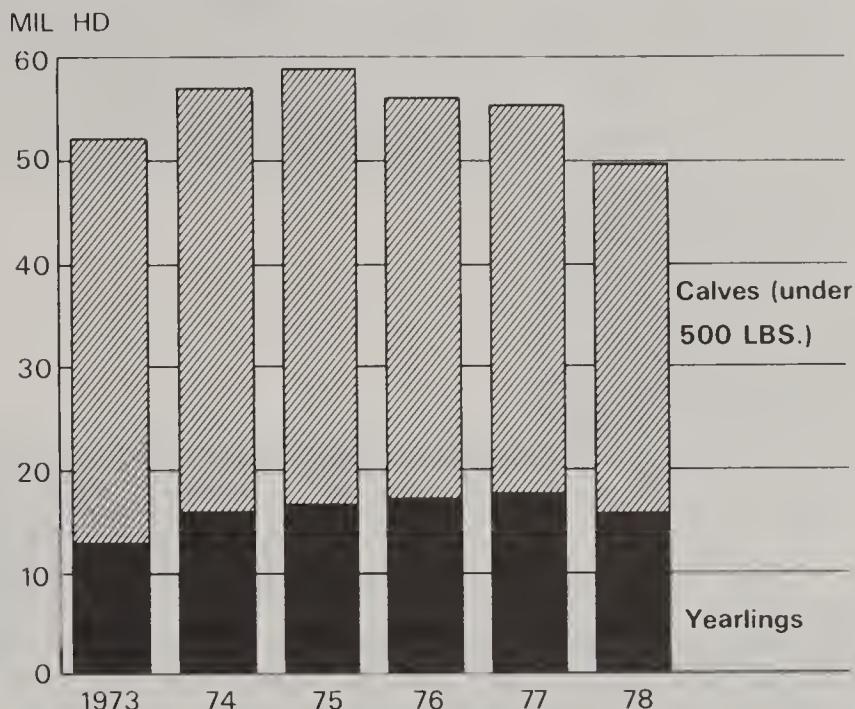
Good Feed Supplies Ahead

Cattle prices alone do not determine your profit. There are some things on the cost side that you will want to watch. Record large corn and soybean crops coming in this fall will probably keep feed costs favorable. While both domestic and foreign demand will influence grain and soybean prices, supplies should remain more than ample.

The farmer-held grain reserve will help assure you of longer term grain supplies and should prevent some of the wide swings in grain prices you have seen in recent years. Soybean stocks aren't quite so large, though, and prices of soybean meal may be more sensitive to changes in demand and production levels.

Corn prices are probably at their seasonal low and are expected to inch up from their early fall 1978 level.

FEEDER CATTLE SUPPLY, JULY 1



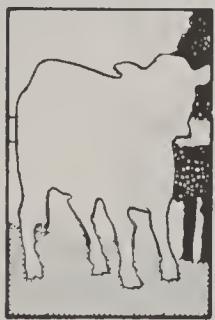
But they aren't expected to rise much above a farm-level price of about \$2.20 per bushel. With soybean meal prices also on the uptrend, you'll probably see a modest increase in protein supplement costs between now and next summer. Grain and protein supplement prices beyond next summer will be greatly influenced by next year's crops and global demand.

Production Costs on Rise

Feeder cattle, which represent the biggest cash outlay, will be costing more. The supply of feeder cattle has fallen. On July 1 there were about 10 percent fewer feeder cattle outside feedlots than a year earlier. The supply is likely to get even tighter because the cow herd is much smaller and fewer calves will be born. With more heifers expected to go for herd replacement, feeder cattle supplies will be reduced even more.

This should keep feeder cattle prices rising over the next few years, but probably at a slower pace than in 1978. Choice yearling feeder steers may be in the mid-to-upper \$60s from now until next spring. By then, many of them may run you \$70 or more per 100 pounds.

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Feeder cattle prices are likely to swing and you might be able to take advantage of some dips in prices. Of course, calves will cost more per 100 pounds than yearlings. Also, as cow-calf producers start holding more heifers, the gap between feeder steer and heifer prices will probably narrow.

Prices for almost all of your production inputs will probably be on the rise, closely tied to the rate of inflation in the general economy. The rising production costs will keep average profit margins for cattle feeders very slim. Losses are to be expected at times.

Cow-calf Producers Expect Good Prices

Although rising feeder-cattle prices mean a higher input cost for a cattle feeder, they also mean a higher income for cow-calf operators. Feeder cattle prices have risen this year after being very low for about 4 years.

For long-term planning purposes, it's likely that cow-calf producers may be able to sell Choice feeder steer calves for \$70 or more per 100 pounds for at least the next 2 to 3 years.

If grazing conditions are good, and if there's enough forage to prevent the forced movement of many cattle during a short time, there is not

likely to be much cause for a sharp dip in feeder cattle prices unless something happens to cause grain prices to rise sharply.

As a cow-calf producer you can expect your production costs to continue to rise. There is no prospect for lower prices for such things as labor, veterinary services, fuel, or most other supplies.

INDEXES OF SELECTED INPUT PRICES FOR CATTLE PRODUCERS

Item	1975	1976	1977	1978 ¹	1979 ²
1967=100					
Corn ³	244	205	173	164	157-173
Soybean meal ³	168	188	254	208	197-260
Building and Fencing	206	215	229	246	249-275
Tractors and self-propelled machinery	195	217	238	259	267-295
Fuels and energy	177	187	202	210	212-234
Farm and motor supplies	168	164	165	170	170-188
Fertilizer	217	185	181	180	182-190
Wage rates	192	210	226	245	245-275
Interest	254	287	331	384	403-427
Taxes	166	178	195	210	218-232

¹ Forecast except for corn and soybean meal. ² Forecast.

³ Corn and soybean meal price indexes are on an October-September crop year basis with the year beginning on October 1 of the year prior to that shown.